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BEILLARD; FAS/OSTA FOR BLUM, HAMILTON, AND SHNITZLER;
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SUBJECT: THE DIRECTOR'S JUNE 17 FAREWELL CALL ON VICE
PREMIER PAUL CHIU

REF: A. TAIPEI 526 AND PREVIOUS (NOTAL)

[1](#)B. TAIPEI 606

Classified By: Stephen M. Young, AIT Director, for reasons 1.4 (b) and
(d).

[1](#)1. (C) SUMMARY. During a June 17 farewell call on Vice
Premier Paul Chiu, the Director stressed the importance of
promptly opening Taiwan's market to all U.S. beef imports.
The Vice Premier acknowledged that beef has long been a major
bilateral trade irritant, and was optimistic that the issue
could be resolved successfully in the near future. The Vice
Premier asserted that Taiwan's vital export sector will show
a recovery in the second quarter of the year compared to the
first quarter, and noted that the TFT-LCD and other critical
electronics industries are already on firmer footing. Chiu
added that the DRAM sector remains weak, however, and
indicated that potential U.S. and Japanese partners are
continuing to discuss possible terms for participation in the
official DRAM restructuring plan (ref a). The Vice Premier
thanked the Director for leaving the U.S.-Taiwan relationship
on a secure footing. END SUMMARY.

Participants

[1](#)2. (SBU) The meeting took place at the Office of the Vice
Premier. The Director was joined by econ chief Hanscom Smith
(notetaker). Vice Premier Paul Chiu was accompanied by
Executive Yuan Second Section Chief Lee Tian-ming and several
other staff members.

AIT New Office Compound

[1](#)3. (C) The Director updated the Vice Premier about AIT's
plans to build a new office compound (NOC) in Taipei's Neihu
district. In addition to the NOC construction itself, he
asked the Vice Premier to facilitate AIT efforts for a land
exchange that may ultimately be used to build a permanent
Director's Residence, warehouse, and other facilities. The
Vice Premier agreed to raise the issue with the Taipei
municipal authorities and the Foreign Ministry.

Foundation for Scholarly Exchange

¶4. (C) The Vice Premier acknowledged that Taiwan owes the U.S. a response to its 2008 letter regarding the legal status of the Foundation for Scholarly Exchange (FSE.) He said Taiwan will be providing a response in the near future, and implied that this would resolve the issue, and also voiced his support for the Fulbright Program.

Beef market access

¶5. (C) The Director noted that an interagency U.S. delegation would arrive in Taipei that evening to discuss beef market access with Taiwan counterparts, and emphasized his hope that the issue would be resolved during the delegation's visit. The Vice Premier acknowledged that the beef issue is a longstanding bilateral trade irritant, but was optimistic that resolution could be achieved in the near future. Opening Taiwan's market now will help create the atmosphere for an overall improvement in the U.S.-Taiwan economic relationship, stressed the Director.

Telecom regulatory problems

¶6. (C) The Vice Premier raised past AIT requests for the timely resolution of an Executive Yuan (EY) Appeals Committee case involving license renewals for U.S. cable operator Kbro (ref b). According to Chiu, the Appeals Committee decision, originally due in March, will remain pending given ongoing internal disagreements over the structure and mandate of the National Communications Commission (NCC). The Director noted widespread U.S. business community concerns about lengthy and opaque NCC procedures, and restated AIT's interest in prompt resolution of the Kbro case.

Taiwan's economy turns the corner

¶7. (C) Noting that exports remain the single biggest factor in Taiwan's economic growth, the Vice Premier predicted that Q2 export results would show an improvement over the corresponding Q1 figures. "The worst is past," he asserted. In Chiu's analysis, Taiwan's Q2 export performance will be better than that of South Korea, the PRC, or Japan, although he also noted that some results may be subject to misleading year-on-year comparisons. Taiwan's electronics sector is showing solid signs of recovering, continued the Vice Premier, and is benefiting from PRC procurement efforts. The TFT-LCD industry, volatile even in the best of times, is now doing well, he noted, as are software design houses.

DRAM restructuring

¶8. (C) In comparison with TFT-LCDs and other electronics sectors, said the Vice Premier, the global DRAM industry remains weak. Taiwan's Powerchip Semiconductor, one of the island's major DRAM producers, has thus far been able to weather the storm, he added. According to Chiu, both Japan's Elpida and the U.S.' Micron Technology are still in discussions about participation in the state-funded Taiwan Memory Company (TMC) DRAM restructuring initiative. TMC's goal, said the Vice Premier, is to compete with industry benchmark South Korean firms by combining relatively low-cost Taiwan manufacturing prowess with U.S. and/or Japanese technology.

Taiwan financial sector

¶9. (C) The Vice Premier noted that Taiwan's non-performing loan (NPL) ratio is low, and better than many other economies in the region. In addition, the economy's sub-prime mortgage burden is easing. At the same time, he stated, official stimulus measures are helping to support employment and job

growth.

Building U.S.-Taiwan relations

¶10. (C) The Director highlighted democratic values as Taiwan's greatest "export". The Vice Premier thanked the Director for leaving a secure foundation on which his successor can continue to develop the U.S.-Taiwan relationship. The Director again underscored U.S. interest in prompt resolution of the beef issue as a first step toward a successful Trade and Investment Framework Agreement (TIFA) dialogue. In addition, he noted the importance of continued support for defense and security spending as Taiwan returns to economic health.

¶11. (C) COMMENT. The Vice Premier is not directly involved in the beef issue, but is aware of its importance to the overall economic relationship. His comments on the DRAM restructuring plan indicate that the Ma administration has still not determined its preferred means for restructuring that struggling sector. END COMMENT.

YOUNG